

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 7443**

**BILL NUMBER:** SB 472

**NOTE PREPARED:** Jan 26, 2015

**BILL AMENDED:**

**SUBJECT:** Various Veterans' Matters.

**FIRST AUTHOR:** Sen. Merritt

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill has the following provisions:

- (1) Creates the Servicemembers Civil Relief Act.
- (2) Provides that protections under Indiana's Civil Relief Act supplement protections for servicemembers under the Federal Servicemembers Civil Relief Act.
- (3) Removes the age limit on the military service income tax deduction.
- (4) Provides for the rights, benefits, and protections of the federal Soldiers' and Sailors' Civil Relief Act to apply to members of the armed forces on active duty or, if applicable, the spouse or dependent of a member of the armed forces on active duty. (Current law provides for the rights, benefits, and protections of the Act to apply to members of the Indiana National Guard on active duty.)
- (5) Provides free admission for veterans to state parks, playgrounds, and historical sites held or managed by the Department of Natural Resources (DNR).
- (6) Provides for a 25% reduction for veterans of any fees charged for facilities, lodging, and recreational activities held or managed by the DNR.
- (7) Establishes for veterans a free lifetime license to hunt, fish, or trap.
- (8) Requires, under certain circumstances, the Department of Workforce Development (DWD) to give a member of the armed forces of the United States, reserves, or National Guard or the spouse of a member of the armed forces of the United States, reserves, or National Guard priority for placement in any federal or state employment or training program administered by the DWD. (Current law provides that this priority be given only to members of the National Guard or their spouses.)
- (9) Allows members of the Indiana reserve component of the armed forces to receive a scholarship from the National Guard Tuition Supplement Program.
- (10) Makes certain changes to and provides funding for the National Guard Tuition Supplement Program.

- (11) Provides employment protections for veterans.
- (12) Creates a private right of action for veterans regarding employment law violations.
- (13) Makes an appropriation.

**Effective Date:** July 1, 2015.

**Summary of NET State Impact:** The following table illustrates the major provisions of the bill that have a fiscal impact on the state.

Bill Provision	Annual Impact Starting in FY 2016
Postsecondary Institution Tuition Benefit Impact on State Expenditures	(\$2.4 M and \$3.7 M)
Deduction for Military Pension and Survivor's Benefits Impact on the GF	(\$1.8 M)
State Park Admission Fee Revenue Loss	(\$0.7 M)
<b>Total Impact</b>	<b>(\$4.9 M to \$6.2 M)</b>

**Explanation of State Expenditures:** *Summary:* This bill could increase state expenditures between \$2.4 M and \$3.7 M annually to provide reserve members of the armed forces the same tuition benefit as members of the Indiana National Guard. The bill annually appropriates to the National Guard Tuition Supplement program fund from the state General Fund the amount necessary to fully fund the scholarships.

The state may also impact the workload of (1) the Office of the Attorney General, (2) the Civil Rights Commission, (3) the Department of Workforce Development, (4) the Department of Natural Resources, and (5) the Indiana Department of Veterans' Affairs.

**Additional Information:**

*National Guard Tuition Supplement Program:* The program currently pays the tuition and fees for members of the Indiana National Guard who attend a state educational institution. For FY 2014 there were 773 members who received scholarships of about \$4,512 on average. The total expenditures for national guard scholarships were about \$3.5 M in FY 2015. For 2014, the Indiana National Guard maintained approximately 14,000 air and army guardsmen and women. Utilization rate of the program is estimated to be approximately 5.5% annually of the total population of National Guardsmen and women.

There are approximately 25,000 reservists in the state. Assuming a similar utilization rate for scholarships offered to reservists, approximately 1,375 individuals could receive state scholarships under the bill. These scholarships could increase state expenditures by about \$2.4 M to \$3.7 M annually. The actual impact will depend on how many reservists elect to attend state-funded postsecondary institutions under a state scholarship as opposed to other scholarships offered to members of the armed forces.

*Servicemembers Civil Relief Act -*

Office of the Attorney General: The bill may result in additional actions brought by the Attorney General

against a person that violates Indiana's Civil Relief Act. The Office of the Attorney General should be able to implement this provision with no additional appropriations.

**Penalty Provision:** The bill makes it a Level 6 felony (perjury) to make or use an affidavit permitted under the federal Servicemembers Civil Relief Act that is false. A Level 6 felony is punishable by a prison term ranging from 6 to 30 months or reduction to a Class A misdemeanor depending upon mitigating and aggravating circumstances. Assuming offenders can be housed in existing facilities with no additional staff, marginal expenditures for medical care, food, and clothing could increase. However, any additional expenditures are likely to be small.

**Department of State Revenue (DOR):** The DOR would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to reflect the changes to the military income deduction. The DOR's current level of resources should be sufficient to implement these changes.

**Employment Discrimination against Reservists:** The bill affects the state as an employer.

The bill precludes employers from asking an applicant for employment whether the applicant is a member of a reserve component. The bill requires the Indiana Civil Rights Commission to enforce alleged violations of the practice. These requirements are within the Indiana Civil Rights Commission's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

**Priority of Placement:** Currently, the Department of Workforce Development (DWD) provides priority for placement (more commonly referred to as "Priority of Service") for employment services to qualified National Guard members and spouses as well as to qualified members of the United States Armed Services and Reservists, according to the Jobs for Veterans Act of 2002 (JVA). The JVA requires Priority of Service to qualified Armed Service and Reserve members, which include those individuals serving on active duty.

The JVA currently requires Priority of Service only for certain qualified spouses. These qualified spouses may receive eligibility from a living veteran (in the cases of service members missing in action or veterans with total service-connected disability) or from deceased veterans who died of a service-connected disability.

The bill will require Priority of Service for all active duty United States Armed Service and Reserve members, as well as their spouses. These spouses of active duty members do not qualify as qualified spouses according to the U.S. Department of Labor. Therefore, this could increase the number of individuals eligible for priority of service through DWD. Regardless, the bill's requirements should fall within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

**Department of Natural Resources Provisions** - The bill allows the DNR in collaboration with the Indiana Department of Veterans' Affairs (IDVA) to issue an entitlement card by which Indiana veterans and active duty members of the uniformed services (including the National Guard and Reserves) may be identified. The bill is not clear as to which agency would be responsible for issuance of the card. The cost of such a program is unknown but would depend on administrative actions taken by the DNR and the IDVA.

**Explanation of State Revenues: Summary:** The changes to the deduction for military pension and survivor's benefits are expected to decrease General Fund revenue by \$1.8 M annually beginning in FY 2016.

The bill could reduce state park admission fee revenue by \$725,000. The fiscal impact of provisions concerning (1) discounts for facilities, lodging, and recreational activities managed by the DNR and (2) free or reduced fee lifetime hunt, fish, trap licenses, would depend on administrative action taken by the DNR.

The bill could also increase state revenue received from civil and criminal court fees and potential fines assessed for cases of denying assembly of a National Guard member and other violations of the Servicemembers Civil Relief Act. Increases in revenue are indeterminable.

*Additional Information:*

*Under 60 Years Military Retirees and Survivors:* The bill extends the \$5,000 individual adjusted gross income (AGI) deduction for military pension and survivor's benefits to individuals receiving these benefits who are under the age of 60 beginning in 2015. There are about 9,100 retirees and 1,670 survivors who would qualify for the \$5,000 income tax deduction. The provision will reduce the income tax revenue deposited in the state General Fund by \$1.8 M annually, beginning in FY 2016.

*Denying Assembly of a National Guard Member-* Under current law, an employer cannot prevent an Indiana National Guard (ING) member from attending, as a matter of duty, an assembly of their Guard unit. The penalty to an employer for doing so is a Class B misdemeanor. The bill would expand that penalty to cover any National Guard member working for an Indiana employer. If additional court cases occur and fines are collected, revenue to both the Common School Fund (from fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class B misdemeanor is \$1,000. However, any additional revenue would likely be small.

*Department of Natural Resources Provisions -* The bill prohibits the DNR from charging an admission fee to the state parks, playgrounds and historical sites for specified veterans and active duty members of the uniformed services (including the National Guard and Reserves). The state park admission fees may be the only DNR fee impacted by this provision since the state historical sites are no longer administered by the DNR. It is not clear how the DNR is to determine the veteran and active duty status of park visitors. However, the defined groups of Indiana veterans, active duty military, members of the National Guard and reserves may represent approximately 503,000 persons. This is almost 8% of the state population. Portions of the veterans' population may currently be eligible for free or reduced-rate park entrance through the Golden Hoosier Passport program by virtue of their age, disability status, or having been a prisoner of war.

The DNR collected about \$9.1 M in admissions and entrance fees in FY 2014. If the defined groups are assumed to pay for entrance to the parks at the same rate as the general population, an 8% reduction in fees yields a rough estimate of about \$725,000 in reduced revenue. Entry fees are used to maintain state parks. The ultimate impact would depend on DNR administrative action with regard to the level of park entry fees charged in the future.

*Servicemembers Civil Relief Act -*

*Court Fee Revenue:* The bill allows the Attorney General to bring a civil action to enforce Indiana's Civil Relief Act. As a result, there may be additional civil actions. Actual increases in court fee revenue from these cases are indeterminable. The Attorney General is not required to pay a civil filing fee. However, if the Attorney General prevails in a lawsuit, the defendant in the case is required to pay all court fees.

The bill also allows an individual who served on active duty in the armed forces of the United States or that individual's spouse or dependent to bring an action in a state court for violations of the federal Soldiers' and Sailors' Civil Relief Act. Actual increases in court fee revenue would depend on the number of actions filed in state courts rather than in federal courts.

Revenue to the state General Fund may increase as a result of any additional civil actions and court fees. A civil costs fee of \$100 would be assessed when a civil case is filed, 70% of which would be deposited in the state General Fund if the case is filed in a court of record or 55% if the case is filed in a city or town court.

In addition, some or all of the judicial salaries fee (\$20), public defense administration fee (\$5), court administration fee (\$5), and the judicial insurance adjustment fee (\$1) are deposited into the state General Fund. Revenue from the pro bono services fee (\$1) is transferred by the State Auditor to the Indiana Bar Foundation to assist with pro bono legal services programs in Indiana. Proceeds from the automated record keeping fee (\$5) are deposited into the State User Fee Fund. Additional fees may be collected at the discretion of the judge.

Penalty Provision: If additional court cases occur and fines are collected, revenue to both the Common School Fund (from criminal fines) and the state General Fund (from court fees) could increase. The maximum fine for a Level 6 felony is \$10,000. However, any additional revenue would likely be small.

**Explanation of Local Expenditures: Summary:** This bill could increase local expenditures to house individuals (1) prior to court hearings for Level 6 felonies and (2) found guilty of Class B misdemeanors created by the bill. Actual increases in local expenditures are unknown.

*Additional Information:*

*Denying Assembly of a National Guard Member-* A Class B misdemeanor is punishable by up to 180 days in jail.

*Servicemembers Civil Relief Act -* Penalty Provision: If more defendants are detained in county jails prior to their court hearings, local expenditures for jail operations may increase. However, any additional expenditures would likely be small.

**Explanation of Local Revenues: Summary:** This bill could decrease annual local revenue from local option income tax (LOIT) by \$0.8 M starting in FY 2016. The bill could also increase local revenue from civil and criminal court fees. However, any additional revenue would likely be small.

*Additional Information:*

*Under 60 Years Military Retirees and Survivors:* Because the changes to the military income deduction will decrease taxable income, counties imposing local option income taxes could potentially experience a decrease in revenue from these taxes. Based on the current average LOIT rate of 1.45%, the estimated revenue loss is \$0.8 M annually starting FY 2016.

*Denying Assembly of a National Guard Member-* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, any change in revenue would

likely be small.

*Servicemembers Civil Relief Act -*

**Court Fee Revenue:** If additional civil actions occur, local governments would receive revenue from the following sources. The county general fund would receive 27% of the \$100 civil costs fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. Additional fees may be collected at the discretion of the judge. Persons filing a civil cases are also required to pay document storage fees (\$2), document fees (\$1 per document), and service fees (\$10) that are deposited in local funds.

**Penalty Provision:** If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees.

**State Agencies Affected:** Department of Workforce Development, Department of Veterans' Affairs, Indiana Civil Rights Commission, Office of the Attorney General, Department of Revenue, Department of Natural Resources.

**Local Agencies Affected:** All.

**Information Sources:** Michelle Marshel, DWD, [mmarshel@dwd.in.gov](mailto:mmarshel@dwd.in.gov); Indiana Department of Workforce Development ([www.in.gov/dwd/2424/htm](http://www.in.gov/dwd/2424/htm)); U.S. Department of Labor ([www.doleta.gov/programs/vets](http://www.doleta.gov/programs/vets)); Department of Defense 2014 Military Pay Information; Indiana National Guard Strength Numbers, 2014; 2014 Indiana veterans population estimate from Veterans' Administration VETPOP2014 projection on the website at: [http://www.va.gov/vetdata/Veteran\\_Population.asp](http://www.va.gov/vetdata/Veteran_Population.asp)

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